



News Release

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IRS Releases Updated Drafts of Corporate and Partnership Tax Forms

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WASHINGTON — The Internal Revenue Service today has released for public comment draft revisions to Form 1065, U.S. Return of Partnership Income, Form 1120, U.S. Corporation Income Tax Return, and certain related schedules. Included in the release are new Schedule B for Form 1120 and Schedule C for Form 1065. These forms will be for use for tax years ending on or after Dec. 31, 2008.

The draft forms reflect changes suggested in comments received from the initial drafts released in August 2007.

“The draft revisions and new forms will increase transparency about the ownership and relationships between entities that make up complex enterprise business structures,” said Frank Y. Ng, Commissioner of the Large and Mid-Size Business Division of IRS. “This will enable IRS to better assess compliance risk.”

The major change to Form 1120 is to Schedule K and involves reporting direct and indirect ownership. When ownership meets certain percentage thresholds, it must be reported on Schedule K. Certain questions on Schedule K have been revised for this reporting.

The new Schedule B (Form 1120) is required of corporations that file Form 1120 Schedule M-3. Schedule B (Form 1120) will provide IRS information about allocations, transfers of interest, cost sharing arrangements, and changes in methods of accounting.

The major changes to the Form 1065 also involve ownership issues. When ownership meets certain percentage thresholds, it must be reported on Schedule B (Form 1065). The revised Schedule B (Form 1065) will also be used to provide information about cancelled debt, and like-kind exchanges that the partnership may have participated in at any time during the tax year. For small partnerships, the asset threshold for filing Schedules L, M-1 and M-2 with Form 1065 has been increased from \$600,000 to \$1,000,000.

The new Schedule C (Form 1065) will be required of Form 1065 filers that file Schedule M-3. Schedule C (Form 1065) will be used to report information about related party transactions, allocations, transfers of interest, cost sharing arrangements and changes in methods of accounting.

New instructions for Item J of Schedule K-1 (Form 1065) clarify how partnerships determine partners' percentage share in the profit, loss, and capital at beginning and end of the partnership's tax year.

The redesigned forms are available on the IRS Web Site at IRS.gov.

Questions and comments regarding these changes only should be e-mailed to the IRS at Judith.A.McNamara@irs.gov by August 25, 2008.